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The Director of Central Intelligence
Washington, D.C. 20505

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13 December 1983

Att. ER 83-5910

National Intelligence Council

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Herbert E. Meyer
Vice Chairman, National Intelligence Council

FROM : David D. Gries
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SUBJECT : Philippines Update/Your Meeting with MacFarlane

1. President Marcos faces growing political and economic problems:

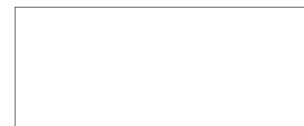
Political

- Filipinos are skeptical about the durability of new succession arrangements that exclude Imelda and direct the Speaker of the Assembly to assume power until elections are called.
- Imelda remains highly unpopular; yet Filipinos expect her to make a grab for power whenever Marcos retires or dies.
- The National Democratic Front, a Marxist group, and the new JaJa Front, noncommunist but penetrated by communists, are filling the vacuum created by continuing factionalism in UNIDO, the moderate opposition.
- Another beneficiary of current political turmoil is the Communist NPA. Attacks on Philippine Army patrols and facilities have gradually increased since Aquino's assassination.
- The reconstituted commission investigating the assassination has undercut the government's case that Communists were responsible. Most Filipinos now believe that at least the armed forces and perhaps the Palace were implicated.

Economic

- Questionable accounting procedures at the Philippine Central Bank have further shaken confidence in Philippine financial management. One generally reliable source places the external

SECRET



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debt at \$28 to \$30 billion, not \$24.9 billion as previously announced.

-- The IMF now believes that the Philippine 1984 financing gap, having already risen from \$150 million some months ago to \$700 million currently, may still be too low. Yet another IMF team is going to Manila to assess the situation.

-- Meanwhile, the Philippine's other creditors will not undertake rescheduling until the IMF is satisfied on the size of the financing gap.

2. Marcos' health has apparently improved. Ambassador Armacost and Admiral Crowe, who met Marcos in Baguio last week, found him more active than in recent weeks.

3. Marcos' next test is the May 1984 National Assembly elections. If Philipinos decide that the election process has been badly corrupted -- by Philippine standards -- then Marcos will suffer no matter what the outcome.

4. Although Marcos appears secure at least through the May election, his durability, barring rapid improvement in economic performance, is far less certain after the election.

5. Comment: Rich Armitage is expected to visit the Philippines in January. We will need a clear statement of policy before Armitage reaches Manila. How should we support, pressure, or influence Marcos? What leverage do we have? How should we use it? Paul Wolfowitz's Philippine working group (I am a member) has been grappling with these questions.

[Redacted Signature]

David D. Gries

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